by the hon. Finance Minister and also the Tamil Nadu State Government in this respect. We are both from Tamil Nadu. There are thousands of middle-class families who have lost their money. The local police arrests the proprietors and partners and seizes their assets. I would like to know from the hon. Finance Minister whether he can help these poor depositors in getting back at least, a part of their money. The second part of my question is: This problem is not solved by merely incorporating a finance company. I know for certain that there are 7000 incorporated companies doing business in finance in Tamil Nadu. Out of these, only 4,500 companies file their returns with the Reserve Bank of India's Non-Banking Finance Companies Department. Out of this, only 600 are being inspected every year. I would like to ask him whether the inspection machinery would be strengthened. There is no adequate staff with the Non-Banking Finance Companies Department of the Reserve Bank of India. These are my two questions.

SHRI P. CHIDAMBARAM: I have already made it clear that it falls within the jurisdiction of the State Government. The State Government of Tamil Nadu -- the State Legislature — has made a law. I have seen that law. That law empowers the State Government to attach property, to arrest persons and try them before a special court. I think the State Government must take action. The Central Government cannot tread into a path reserved for the State Government. The crimes that are alleged against these companies are cheating, misappropriation and breach of trust. They all fall under the State jurisdiction. The State must take action. There is a provision to attach property. Property of a large number of companies in Tamil Nadu, of a large number of incorporated bodies in Tamil Nadu have been attached. As regards the second question, yes, I agree that there has not been effective regulation of NBFCs. There are a large number of NBFCs. Prudential norms have not been laid down. Regulations have been ineffective. That is why, at my instance, we have made this law and we are going to strengthen the NBFC Department of the Reserve Bank of India in order to ensure more effective regulation of NBFCs.

Proposal to invest Pension/Provident Funds in Safe Securities

*145. SHRI VEDPRAKASH P. GOYAL:
SHRI SOM PAL:

Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to invest pension and provident funds in safe declared securities to buoy-up capital market;

(b) if so, whether acceptance of this proposal has been obtained from bodies controlling these funds; and

(c) the total amount Government expect to invest from these funds and the anticipated benefits to the employees?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) A statement is laid on the Table of the House.

Statement

(a) and (b) Based on the proposals made by the Central Board of Trustees of the Employees Provident Fund Organisation, and the announcement by the Finance Minister Speech for 1997-98, it has been decided to amend the investment pattern for the non-Government Provident/Superannuation/Gratuity Funds w.e.f. 1.4.1997. The funds will be free to invest the 20% of incremental accretions, now required to be deposited in the Special Deposit Scheme, under the remaining three categories viz:

(i) Central Government Securities;

(ii) State Government Securities or securities guaranteed by Central Government or any State Government; and

(iii) Bonds/Securities of PSUs/Public Financial Institutions/certificate of deposits of Nationalised Banks.

(c) It is for the funds to invest as per the pattern prescribed by the Government. It is not possible at this stage to estimate the incremental amount that would be diverted from the Special Deposit Scheme to the other categories as the rate of contribution is also being increased from 1.3.1997. The proposed amendment in the

rate of contribution is also being increased from 1.3.1997. The proposed amendment in the investment pattern will help the funds to increase their earnings.

SHRI VEDPRAKASH P. GOYAL: The subject of investment of provident fund, gratuity and superannuation fund has been often discussed in this House. Apprehensions have been expressed about the misuse of this hard-earned money of poor people on which rest their lives. These apprehensions were expressed here very loudly. My question is: What measures have been initiated or are being considered to be initiated by the hon. Finance Minister to remove these apprehensions?

SHRI P. CHIDAMBARAM: These apprehensions have been reflected in the meeting of the Central Board of Trustees of the Employees Provident Fund. They made certain recommendations. I have accepted some of their recommendations in my Budget speech. They have decided that they will not invest in shares or in securities of private companies. They have decided to invest only in rated bonds of public sector institutions as well as of All India Financial Institutions and I respect their decision. It is not for me to tell them what they should do and where they should invest. As far as the other recommendations are concerned, they wanted some liberalisation in the special deficit scheme. I have accepted that recommendation also. Incremental funds flowing into the provident fund, 20 per cent of which was going into the special deficit scheme, they are now free to invest in either Central Government securities or in State Government securities or bonds or in securities of public sector undertakings and public sector financial institutions. The Central Board of Trustees are entirely free to decide where they will invest their money. Sir, we have not been interfering in their decision.

SHRI VEDPRAKASH P. GOYAL: Part (c) of the answer says, "It is for the funds to invest as per the pattern prescribed by the Government." That brings in the interference of the Government. There is a likelihood that the Government may direct some of these funds to be invested in the sick public sector undertakings. I do not think enough answer has been given to allay on these apprehensions and if the Government is going to direct where these funds have to be invested, then Government interference remains. They are not free to invest where they want to.

SHRI P. CHIDAMBARAM: Sir, that would not be correct. The pattern of investment is, Central Government securities — 25 per cent, State Government securities or securities guaranteed by the Central Government or any State Government — 15 per cent, Special Deposit Scheme — 20 per cent, bonds and securities of PSUs, public financial institutions specified under Section 4 (a) of the Companies Act and certificates of deposit for public sector banks is 40 per cent. This is the pattern. Within this pattern they have to invest. We do not direct them to invest in a particular public sector undertaking. Surely Government has not issued any direction asking them to invest in a particular public sector undertaking, be it healthy or sick, and we have no intention of issuing any such direction.

SHRI VEDPRAKASH P. GOYAL: In the light of the experience that you gained by the investment of these funds, is there any possibility of reviewing it or is there anything in your mind to review it after some time. If the experience does not succeed in giving more benefits to the people, is it a thing which may be reviewed after some frequency?

SHRI P. CHIDAMBARAM: Sir, I have just reviewed it four days ago. I have liberalised the Special Deposit Scheme; the 20 per cent which was to go to the Special Deposit Scheme they are now free to invest it in Central Government securities or State Government securities or in bonds and securities in PSUs and PFIs. I do not think another review is called for immediately.

SHRI SOM PAL: Mr. Chairman, Sir, the dimensions which the question proposes to cover have almost been covered by the hon. Finance Minister. So I do not wish to seek any more clarifications.

SHRI GURUDAS DAS GUPTA: Sir, I understand that the hon. Minister is not in a mood to give any direction. He is quite consistent with his policy. But the question is

different. Huge funds are accummulated in provident fund accounts which held by the Central Provident Authority or by the trust as an exempted category. There have been growing complaints of serious irregularities which are leading to loss of saving of the workers. There has been no monitoring. Therefore, (a) part of my question is, while amending the law, will the Government take into consideration this utilisation or non-utilisation or mis-utilisation of the funds by the provident Fund in the exempted category and (b) part of my question is, whether the Government will consider increasing the rate of interest of that portion of the savings in Government cofers?

SHRI P. CHIDAMBARAM: Sir, as far as exempted provident funds are concerned, I assume the hon. Member is referring to exemptions granted under Section 17 of the Exployees Provident Fund Act where the companies can run their own provident fund subject, of course, to certain restrictions. That is a subject which falls under the Ministry of Labour. The question whether there are irregularities in the working of exempted provident fund must be addressed to the Ministry of Labour.

As regards the second question about enhancing the return on provident funds invested according to the pattern of the Central Government, yes, the recent recommendation of the Trustees is that the rate of interest should be enhanced from 12 per cent to 13 per cent; I will look into the matter.

Guidelines for Foreign Airlines

*146. SHRI SATISH AGARWAL: Will the Minister of CIVIL AVIATION be pleased to state:

(a) the policy guidelines formulated by Government regarding entry of foreign airlines into the domestic sector;

(b) whether it is a fact that East-West, Jet Airways and Modiluft were permitted to operate in the domestic sector; and

(c) if so, what is the rationale for refusing permission to Tata-Singapore consortium to operate in the domestic sector?

THE MINISTER OF CIVIL AVIATION AND MINISTER OF INFORMATION AND BROADCASTING (SHRI C.M. IBRAHIM): (a) The modalities for permitting foreign equity and NRI equity in domestic air transport services sector are under formulation.

(b) Yes, Sir.

(c) The proposal of M/s Tata Singapore Airlines would be examined after the modalities of foreign equity and NRI equity participation in the domestic air transport services sector have been formulated.

SHRI SATISH AGARWAL: Mr. Chairman Sir, I know the views of the Minister of Civil Aviation so far as foreign equity participation is concerned. Sir, without having any policy guidelines or prescriptions or a decision by the Cabinet, foreign equity participation is not permissible under our laws in any sector whatsoever. If that is so, then how is it that since April, 1993, these air taxis or air services, like East-West, Jet Airways, Modiluft, etc., were opened for foreign equity participation in this country? What is the exact position in this regard? Were they permitted under any guidelines and decisions of the Government or under some *ad hoc* decisions?

SHRI C.M. IBRAHIM: Sir, as far as the policy is concerned, there was no constraint and a perfect policy was there. When I took over, I decided that we must have a complete policy whether we should permit foreign airlines into the domestic sector or not, and if anybody is permitted, then what the course of action should be. After discussing it with various people and groups in my Ministry and outside the Ministry, I have seen that nowhere in the world have foreign airlines been permitted into the domestic sector. That is why we have decided and I have recommended—the subject is before the Cabinet—that no other foreign airlines should be permitted into the domestic sector.

As far as NRI investment is concerned, we said, "Yes, up to 40 per cent, any foreign investment may come." Even if any NRI wanted to come, that also we have said. Earlier, foreign equity up to 40 per cent was permitted on a case-by-case basis and not in general. Clearance was given on a case-by-case basis. Now, we have said that we will take a concrete policy